

USAID/Lebanon

Annual Report

FY 2005

June 16, 2005

Please Note:

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Lebanon

Performance:

Significant events took place in Lebanon last year that were considered to be major turning points for change in the political life of the country. The Municipal elections of May 2004 resulted in the formation of around 180 new Municipalities reflecting a stronger trend towards decentralization. The controversial extension of the President's term for an additional three years, and the formation of an unpopular government brought Lebanon's internal politics to the forefront of the international arena. The United Nations Security Council adopted resolution 1559, that advocates the full sovereignty of Lebanon and calls for the withdrawal of all foreign troops from Lebanese territory, and the dismantling of militias acting freely in the country. Internally, as a show of discontent, a coalition of diversified factions and parties combined forces to form the largest opposition block the country has witnessed since the 1975 civil war. These developments clearly show a strong willingness for change within the goal of maintaining the multifaceted image of Lebanon in the region. However, despite these encouraging developments, the divisiveness that is inherent in Lebanon's confessional system of government continues to contribute to neighboring Syria's continued ability to intervene in the political affairs of the country. As a result, Lebanon has kept its Syrian and Iranian-supported "resistance" alive, using the argument that the Israeli-occupied Shebaa Farms area is legally Lebanese, not Syrian territory. The economic situation in Lebanon continues to be unfavorable. Lebanon's public debt continues to accumulate reaching \$35 billion, which is equivalent to approximately 180 percent of GDP, one of the highest ratios in the world. This is leading the government to dedicate around 70% of its public revenues to pay interests on the debt instead of financing public services. It is resulting also in widening disparities between the rich and the poor, and to an increased rate of unemployment (around 20%). The pace of economic and administrative reform is slow. The investment climate remains hazy, with decreasing investor confidence in the country's economy. Arab and Gulf financing account for a considerable portion of direct foreign investment in Lebanon. Slight improvements have been achieved however, with an increase of 29% in industrial exports and an improvement in the tourism sector. Lebanon surpassed the million tourists mark for the first time in 30 years, an increase of 33% in tourist arrivals and the highest average per tourist expenditures (\$1,500) in the Middle East. Sadly, the environment in Lebanon is in a deteriorating state due to years of neglect. Changes in citizen perceptions about environmental protection and preservation are progressing slowly. This has resulted in polluted air, soil, rivers, and beaches, open dumping, and lack of control on industrial emissions. This is coupled with a lack of government investments in remedies.

As a response to the challenges facing the country, the USAID program is contributing to the USG policy priorities of promoting democratic principles and free economies through investing in the people. It is helping the people of Lebanon by improving their standard of living, protecting their environment and health, building their local institutions, addressing their legal rights as citizens, and addressing their humanitarian needs.

Addressing economic stagnation, USAID program attempts to improve living standards by:

- Revitalizing and expanding economic opportunities in rural areas through focusing on three key productive and growth oriented sectors that comprise 35% of Lebanon's GDP, agro-industry, Information and Communication Technology (ICT) and tourism.
- Promoting WTO accession to encourage trade and investment, globalization, and broad-based policy and legislative reform.
- Strengthening American educational institutions through provision of assistance for scholarships.
- Providing humanitarian and economic assistance to indigenous groups by providing small grants to support their programs.

Addressing environmental degradation, water resources scarcity and lack of proper management, USAID attempts to improve environmental policies and practices through:

- Promoting appropriate waste management practices that attempt to solve major sanitation problems and create awareness among the people about the need for environmental protection.
- Developing measures for efficient water management and a strategy for tariff restructuring and private sector participation in the water sector to make agriculture more productive and ensure that water pricing is efficient and equitable.

Addressing political deadlocks and weaknesses, USAID attempts to strengthen democratic institutions through promoting good governance and transparent practices at the municipal and grass roots civil society levels.

USAID's key achievements:

The USAID program in Lebanon adopts an approach that is unique compared to other donor programs in the country. Assistance is expanded all over Lebanon. It is channeled directly to the people of Lebanon's small communities and responds to their needs and aspirations. It is based on partnerships and fund matching for the purpose of long-term viability and sustainability. It is implemented through a consortium of partnerships that pull together the diversified skills and experience of the private and public sector, academic institutions, and local and international NGOs. Though not the largest, it has the most impact on the ground.

This year the USAID/Lebanon program succeeded in the direct creation of 910 new jobs in rural areas. These were achieved through the provision of \$6 million dollars worth of small loans to small enterprise operation in rural areas, rural tourism activities, agro-industrial production cooperatives and the introduction of crop improvement techniques. Specifically, USAID programs resulted in the increase of total agricultural production in Lebanon by \$5.4 million, of which more than half were exported mainly to the Arab Gulf, Jordan, Europe, and USA. In addition, USAID assistance succeeded in reviving rural tourism, a sector that was dormant for decades as result of continuous instabilities. More than 70,000 tourists visited rural areas (75% in the South), and revived the rural economy by generating \$526,000 of revenues to small and medium rural businesses. Also USAID programs contributed to significant developments in the IT sector. It succeeded in establishing Lebanon as a regional ICT center and improved IT access to a total of 14,396 users in rural areas.

As an indication of the successful water tariff restructuring and water pricing models developed for the South Lebanon Water and Wastewater Establishment (SLWWE), the other three water Establishments have submitted requests to USAID for the replication of this model, unique in Lebanon. USAID will respond to these demands on a gradual basis pending availability of funding. In addition, following USAID extensive information campaign on Private Sector Participation (PPP) in the water sector, the Ministry of Energy and Water (MoEW) has become more responsive to the concept of water sector privatization and for the first time in the public sector, it has established internally a unit dedicated to PPP issues.

Utilizing the systems and procedures developed under the municipal development program, municipalities are now able to collect taxes in an efficient, consistent, and legal manner with opportunities for tax evasion and corruption minimized. For the first time in decades, municipalities have started to identify \$4.5 million worth of previously neglected and unaccounted for revenues. This has resulted in increased compliance in the collection of taxes and hence expanded revenues that can be used to provide infrastructure and services to the community. Also, as part of improving communication with citizens, a significant achievement was reached in 2004 with the opening of 21 Citizen Reception Offices. These facilities aim at promoting transparency and accountability in municipal work. Citizen Reception Offices are now open in 31 locations throughout the country with the majority of citizens now able to conveniently access proper information, efficiently complete transactions, and readily communicate with municipal staff or officials. Within the continuing goal of reaching citizens, three additional municipal guides were developed, and 217 municipalities were hooked to the internet bringing the total to 465 out of a total of 800 Municipalities assisted.

In brief, the USAID program activities are all interlinked and built to achieve the goal of improving the lives of the Lebanese people. Municipalities that are adopting transparent and democratic procedures are increasing their revenues and are better prepared to serve their communities by investing more in community development work. In response, people are more encouraged to invest in their communities and hence will tend to migrate less to urban cities. At another level, communities with improved environmental practices and healthier environments are significant driving factors for economic prosperity in rural communities.

As a cross cutting theme, through its landmine action program, USAID is addressing the endemic problem of landmines causing death and injury and creating groups of disadvantaged people. With the help and support of USAID, landmine survivors have become engaged in productive enterprises and are rebuilding of their lives. Beneficiaries increased in 2004, from 774 landmines affected people and their dependants to 803 who increased their annual income by more than \$2,000.

The USAID Lebanon program is advocating the use of Information and Communication Technology (ICT) across the board in all sectors of assistance. ICT can facilitate economic growth, stimulate investment, create jobs, improve Lebanese citizen lives and business, as well as provide rapid mechanisms for people to share information. In FY2004, USAID improved IT access to more than 14,000 users in rural areas and succeeded in establishing Lebanon as a regional ICT center. Furthermore, USAID is advocating the use of ICT to promote tourism and agriculture. It has established a tourism portal (www.destinationlebanon.com <<http://www.destinationlebanon.com>>) to promote Lebanon as a tourism destination, and a virtual agricultural market to link farmers, processors and distributors. IT systems are also adopted in the Municipal development program to ensure transparency and proper governance. IT assistance for Lebanon's WTO accession involves the issues of Intellectual Property Rights (IPR) and e-government laws.

The Professional Training Program (PTP) is another activity that has an impact across all of USAID/Lebanon's programs. It aims at building the knowledge base and capacities of Lebanese professionals by exposing them to international experiences and practices in specific fields. A total of 509 individuals from the private and public sector-174 females- attended seven training programs and two conferences taking place in Lebanon and abroad. As a result of the PTP trainings, best practices have been adopted and implemented in several sectors. For instance, the Lebanese University- School of Dentistry has affiliated with a U.S. University to establish a new department of Endodontics, the first in Lebanon. The National Employment Office developed a Labor Market Information System and is developing for the first time short-term projections on labor force statistics.

Results Framework

268-001 Expanded Economic Opportunity

SO Level Indicator(s):

Increase in agricultural exports

Increase in GDP

Increased number of jobs created in the three targeted sectors (Agriculture)

1.1 Improved Enabling Environment for Trade and Investment

1.2 Improved Competitiveness and Growth in Targeted Sectors (Agriculture, ICT and Tourism)

1.3 Increased Rural and Industry Cluster Opportunities

1.4 Enhanced Access to Credit

1.5 Increased Safety and Assistance in Landmines-Affected Areas

268-002 Strengthened Foundations for Governance

SO Level Indicator(s):

Enabling legal environment that strengthens the role of local government and municipalities

Increased public confidence in Municipalities

2.1 Improved Municipal Governance

2.2 Expanded Role of Civil Society Advocacy

268-005 Improved Environmental Policies and Practices

SO Level Indicator(s):

Improved water use efficiency

Increase in the number of people adopting improved environmental practices

3.1 Increased Use of Appropriate Environmental Management Practices

3.2 Improved Participatory Approaches in Water Management

3.3 Increased Effectiveness of Water Authorities, Laws and Policies